

## Message Text

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TO AMEMBASSY BRASILIA IMMEDIATE

C O N F I D E N T I A L STATE 009362

EXDIS

E.O. 11652: GDS

TAGS: PFOR, ETRD, BR

SUBJECT: LETTER ON TRADE REFORM ACT AND COFFEE AGREEMENT  
TO THE SECRETARY FROM FOREIGN MINISTER SILVEIRA

1. THE FOLLOWING LETTER DATED JANUARY 10 FROM FOREIGN  
MINISTER SILVEIRA TO THE SECRETARY WAS DELIVERED TO THE  
DEPARTMENT: -

2. BEGIN TEXT: MY DEAR HENRY,  
AS I ANTICIPATED IN MY LETTER OF DECEMBER 27, 1974  
I DEAL TODAY WITH TWO ECONOMIC SUBJECTS WHICH I BELIEVE  
TO BE OF GREAT RELEVANCE: THE TRADE REFORM ACT IN  
RELATION TO THE MULTILATERAL TRADE NEGOTIA-  
TIONS IN THE GATT AND THE INTERNATIONAL COFFEE AGREEMENT.

3. PRESIDENT FORD'S SIGNING OF THE TRADE REFORM ACT,  
BY MAKING POSSIBLE THE EFFECTIVE COMMENCEMENT OF  
MULTILATERAL TRADE NEGOTIATIONS, PRESENTS US WITH A  
CHALLENGE AT LEAST AS SERIOUS AS THOSE REPRESENTED BY  
THE BRETTON WOODS AND HAVANA CONFERENCES.

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4. IT IS NOT CONCERNED MERELY WITH AVOIDING THAT THE PROTECTIONIST TENDENCIES THAT HAVE ALREADY APPEARED IN VARIOUS INDUSTRIALIZED COUNTRIES BRING ABOUT THE

COMPARTMENTALIZATION OF INTERNATIONAL ECONOMIC RELATIONS WITH ALL OF THE ECONOMIC AND POLITICAL CONSEQUENCES WHICH WOULD FLOW THEREFROM. THE GREAT POLITICAL PROBLEM WHICH CONFRONTS US IS THAT OF CREATING A REALLY ECUMENICAL SYSTEM OF ECONOMIC RELATIONS; A SYSTEM THAT MAKES THESE RELATIONS, AND PARTICULARLY INTERNATIONAL TRADE, AN INSTRUMENT OF GENERALIZED ECONOMIC DEVELOPMENT AND OF GRADUAL BUT EFFECTIVE CORRECTION OF THE PRESENT INEQUALITIES AMONG NATIONS.

5. TO DO SO MUCH IT WILL BE NECESSARY FOR THE GREAT INDUSTRIALIZED POWERS TO ABANDON THEIR HISTORIC ATTACHMENT TO THE FORMAL EQUALITIES WHICH PREJUDICE THE WEAKEST AND THE REAL INEQUALITIES THAT BENEFIT THE STRONGEST, IN ORDER TO ACCEPT IN ALL ITS PRACTICAL CONSEQUENCES THE CONCEPT OF PREFERENTIAL TREATMENT FOR THE DEVELOPING COUNTRIES WHETHER WITH RESPECT TO TARIFF AND NON-TARIFF BARRIERS OR IN OTHER RELEVANT ASPECTS OF INTERNATIONAL ECONOMIC RELATIONS.

6. THE RESPONSIBILITY OF THE UNITED STATES OF AMERICA IN THIS UNDERTAKING IS INESCAPABLE: IT FLOWS FROM THE VERY ECONOMIC AND POLITICAL MAGNITUDE OF THE COUNTRY AND NOT FROM ANY DELIBERATE DECISION OF LEADERSHIP.

7. IN PROVIDING YOU WITH SUCH REFLECTIONS I HAVE IN MIND PARTICULARLY THE RECENT REDISTRIBUTION OF ECONOMIC-FINANCIAL POWER IN FAVOR OF THE PETROLEUM EXPORTING COUNTRIES. I BELIEVE THAT ONLY IN THE CONTEXT OF A BROAD AND EQUITABLE SYSTEM OF MULTILATERAL ECONOMIC RELATIONS WOULD IT BE POSSIBLE TO ARRIVE AT UNDERSTANDINGS THAT WILL ASSURE AT THE SAME TIME FAIR PRICES FOR THE RAW MATERIAL EXPORTING COUNTRIES AND ADEQUATE SUPPLIES FOR THE IMPORTING COUNTRIES.

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8. THE CONCURRENCE OF THE PETROLEUM AND OTHER ESSENTIAL RAW MATERIAL PRODUCING COUNTRIES IS TODAY INDISPENSABLE TO THE CONSTRUCTION OF A JUST AND EFFICACIOUS ECONOMIC SYSTEM. THIS CONCURRENCE WILL NOT BE ABLE TO BE OBTAINED, HOWEVER, IF THE OBJECTIVE PURSUED IN THE NEXT MULTILATERAL TRADE NEGOTIATIONS WERE THE PRESERVATION OF THE PRESENT STRUCTURES OF ECONOMIC RELATIONSHIP, GENERALLY UNFAVORABLE TO THE DEVELOPING

COUNTRIES.

9. IN THIS CONTEXT, THE EXCLUSION FROM THE AMERICAN GENERAL SYSTEM OF PREFERENCES OF THE MEMBER NATIONS OF

OPEC AND, POSSIBLY, OF OTHERS THAT MAY PARTICIPATE OR COME TO PARTICIPATE IN UNDERSTANDINGS AMONG EXPORTERS OF PRIMARY PRODUCTS, AS WELL AS OTHER RESTRICTIVE ASPECTS OF THE TRADE REFORM ACT, AUGUR POORLY FOR RELATIONS BETWEEN THE UNITED STATES OF AMERICA AND LATIN AMERICA AND FOR THE NEXT MULTILATERAL TRADE NEGOTIATIONS. OTHER PROVISIONS, ALTHOUGH STILL INSUFFICIENTLY ANALYZED IN BRAZIL, LEAVE ME WITH SERIOUS APPREHENSIONS CONCERNING THE DISPOSITION OF THE AMERICAN LEGISLATOR TO CONTRIBUTE TO THE ATTAINMENT OF THE GENERAL OBJECTIVES TO WHICH I REFERRED ABOVE. I WOULD LIKE TO EXPLORE THIS MATTER WITH YOU MORE DEEPLY DURING YOUR VISIT TO BRAZIL IN FEBRUARY.

10. ALSO WORRYING ME IS THE PROBLEM OF THE NEGOTIATION OF THE INTERNATIONAL COFFEE AGREEMENT, STILL IN ITS PRELIMINARY STAGE.

11. IT DEALS NOT ONLY WITH A SUBJECT THAT SERIOUSLY AFFECT THE ECONOMY OF BRAZIL AND OF SOME FORTY OTHER DEVELOPING COUNTRIES, BUT ALSO WITH AN IMPORTANT TEST OF FUTURE RELATIONS BETWEEN COUNTRIES WHICH EXPORT RAW MATERIALS AND THOSE WHICH IMPORT THEM.

12. THE CRUCIAL POINTS ARE, NATURALLY, THAT CONCERNING PRICES, WHICH IS BECOMING MORE IMPORTANT IN VIEW OF THE PRESENT PICTURE OF GENERALIZED INFLATION AND EXCHANGE INSTABILITY, AND THAT REGARDING SECURITY OF SUPPLY.  
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13. IN VIEW OF THE WORLD ECONOMIC PREDICAMENT AND THE RECENT EVENTS IN THE FIELD OF INTERNATIONAL TRADE IN PRIMARY PRODUCTS, IT DOES NOT SEEM REALISTIC TO EXPECT THAT THE EXPORTING COUNTRIES WILL ACCEPT AN INSTRUMENT THAT DOES NOT ASSURE SUBSTANTIAL STABILITY FOR PRICES OF THE PRODUCT AT A SATISFACTORY LEVEL AND CALIBRATED IN REAL TERMS.

14. ON THE OTHER HAND, I RECOGNIZE THAT THE PRESENT PREOCCUPATIONS WITH THE PROBLEM OF SUPPLY OF RAW MATERIALS MAKES DIFFICULT THE NEGOTIATION OF AN AGREEMENT THAT DOES NOT ASSURE AVAILABILITY OF REAL COFFEE IN CONTRAST WITH MERE EXISTENCE OF QUOTAS.

15. SUCH IDEAS DEPART SUBSTANTIALLY FROM WHAT UNTIL NOW HAS BEEN DONE REGARDING AGREEMENTS CONCERNING BASIC PRODUCTS BUT INTERNATIONAL CIRCUMSTANCES AS WELL AS THE SUPPLY AND DEMAND POSITION OF COFFEE MAKE A CHANGE OF FOCUS INDISPENSABLE.

16. THE TOPIC ASSUMES CONSIDERABLE RELEVANCE, INASMUCH AS IT DEALS WITH THE FIRST NEGOTIATION OF AN IMPORTANT AGREEMENT CONCERNING BASIC PRODUCTS SINCE THE SO-CALLED PETROLEUM CRISIS. OUR COUNTRIES -- THE PRINCIPAL EXPORTER AND PRINCIPAL IMPORTER OF COFFEE -- WILL INEVITABLY PLAY DECISIVE ROLES IN IT. IT SEEMS TO ME, THEN, IMPORTANT TO KNOW YOUR THOUGHTS ABOUT THE POLITICAL POSITION OF THE SUBJECT BEFORE THE SPECIALIZED SECTORS ON BOTH SIDES PASS ON TO THEIR MORE DETAILED DISCUSSION.

17. WITH THIS OBJECTIVE IT WOULD BE USEFUL TO RECEIVE YOUR POINTS OF VIEW EVEN BEFORE YOUR VISIT TO BRAZIL. BEST REGARDS, ANTONIO. END TEXT.

18. PORTUGUESE TEXT FOLLOWS BY POUCH. KISSINGER

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